

It's Still Never Too Early, Revisited (2026 Edition)

by Michael T. Meltzer of Tocqueville Asset Management, 2/10/26

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I originally wrote [a version of this article](#) in 2014. While my gray hairs have increased since then, so have contribution limits. As a portfolio manager at Tocqueville, I still spend a lot of my time developing investment strategies for the next generation of investors, and the core philosophy remains the same: The math of starting early is undefeated.



Unfortunately, most people still don't start thinking about their retirement until they are in their forties. Better late than never, but I believe there is a massive missed opportunity here. By starting the process earlier, one could drastically improve their ability to retire at a reasonable age.

Let's take the example of a worker who wants to retire at 60 and earn roughly \$250,000 from their investment portfolio annually (adjusting my original \$200,000 target for inflation). Using the 4% Rule (a rule of thumb used to determine the amount of funds to withdraw from a retirement account each year),¹ that investment portfolio would need to be roughly \$6.25 million.

This is our end point, so how do we get there?

The Sooner the Better

Young workers typically contribute an arbitrary percentage to their employer-sponsored 401(k) plans rather than the maximum permitted. This tends to be the extent — or at least the majority — of their savings.

In 2014, the maximum 401(k) contribution was \$17,500. For **2026**, the IRS has raised that limit to **\$24,500**.²

We are permitted to withdraw from retirement accounts without penalty at age 59½, so we will use age 60 as our finish line.

If you are 25 years old and start contributing the maximum \$24,500 to your 401(k) every year, assuming an annualized, compounded return of 8% per year (a reasonable long-term estimate),³ by age 60 your 401(k) could be worth **\$4.95 million**.⁴

If you start this same process just five years later, at age 30, your 401(k) would only be worth **\$3.26 million**⁵ at age 60. Wait until age 40? At age 60 your 401(k) may only be worth **\$1.33 million**.⁶

Those first five years of delay could cost you nearly **\$1.7 million** in future wealth. This is why I encourage clients to contribute as much as they can, as early as they can.

Know How to Work Your Options

Not all 401(k)s are created equal. With the Roth 401(k), you contribute *after-tax* dollars rather than pre-tax dollars. You won't get the contribution tax deduction of a traditional 401(k) today, but all of the compounded returns will be tax-free forever!

What does this mean? In a traditional 401(k), funded with pre-tax dollars, you have to pay ordinary income taxes on every dollar you withdraw. In a high-tax jurisdiction like New York City, between federal, state, and city taxes, this liability can easily exceed **50%** for top earners.

Now, if your 401(k) is a Roth 401(k), all of your withdrawals in retirement are tax-free. Who wouldn't prefer to have access to millions of dollars tax-free when they are 60, as opposed to a tax deduction today?

New for the 2020s: When I first wrote this, Roth 401(k)s involved a major annoyance — you had to take Required Minimum Distributions (RMDs) eventually. Thanks to the SECURE 2.0 Act, as of 2024, *Roth 401(k)s no longer have RMDs* during your lifetime. This puts them on equal footing with Roth IRAs, allowing your money to grow tax-free for as long as you live.

Don't Rely on Your 401(k) Alone

Roth IRAs have been around since 1998, but there have always been income limitations on contributors. For **2026**, single filers earning less than **\$153,000** (or married couples earning less than **\$242,000**) can contribute up to **\$7,500**⁷ to a Roth IRA. Every young worker earning less than that amount should consider doing this.

If your earnings increase above those levels, there is still an option available to keep the Roth IRAs growing: the "Backdoor Roth."

Since most young people save via a 401(k), they rarely have a traditional IRA. So you can open one, contribute up to \$7,500 to it with after-tax dollars (anyone can do this regardless of income level), and convert it to a Roth IRA the next day.

The caveat is that you must pay ordinary income taxes on the conversion amount — but since you just contributed after-tax dollars, the tax liability on the conversion is generally zero (or very small on any interest earned in that one day).

This only works cleanly if you don't have another traditional IRA (like a Rollover IRA from an old job). For the conversion to be tax-free, your IRA essentially needs to be empty — a requirement many young people will fulfill.

A Note for the "Not-So-Young" (The Catch-Up)

If you are reading this and think you've missed the boat, the government has actually sweetened the deal for you, too. And yes, you get catch-up contributions on the Backdoor Roth as well.

Once you turn 50, you are allowed to make extra "catch-up" contributions. In 2026, those limits are:

- **401(k) Catch-up:** An extra **\$8,000** per year
- **IRA Catch-up:** An extra **\$1,100** per year

This means that between ages 50 and 60, you can sock away an additional **\$9,100** annually on top of the standard limits.

The Grand Total (The "Finish Line")

So, let's put it all together. If our "Super Saver" starts at age 25, uses the Backdoor Roth every year, and maximizes all catch-ups from age 50 to age 60, what do they have?

Bucket 1: The 401(k) Powerhouse

- Base Contributions (\$24,500/yr for 35 yrs)
- Catch-Up Contributions (\$8,000/yr for 10 yrs)
- **Total Accumulated: \$5.09 million⁸**

Bucket 2: The Backdoor Roth Supplement

- Base Contributions (\$7,500/yr for 35 yrs)
- Catch-Up Contributions (\$1,100/yr for 10 yrs)
- **Total Accumulated: \$1.54 million⁹**

Grand Total: \$6.63 million¹⁰

We have exceeded our **\$6.25 million** target! Hooray!

And remember: This assumes you never receive a single dollar of employer matching. If your employer matches even a modest 3–4% of your salary over those 35 years, that "free money" compounded year after year adds up.

The "One Big Beautiful Bill"

Since 2014, we have seen plenty of tax changes, but the One Big Beautiful Bill Act (OBBBA) passed in July 2025 has created some massive opportunities, particularly for our New York clients.

1. **SALT Cap Relief:** For years, New Yorkers were punished by a \$10,000 cap on State and Local Tax (SALT) deductions. The OBBBA raised this cap to \$40,000.

- *Caution:* This relief phases out for taxpayers with income over **\$500,000** (single) or **\$600,000** (married), so check your bracket before celebrating.

2. **The Senior Bonus:** Once you hit age 65, you now get an additional **\$6,000** standard deduction. While that might seem small compared to a multimillion-dollar portfolio, every dollar you don't give the IRS is a dollar that stays in your pocket.

3. **Tax Rates Stay Low:** The lower tax brackets from 2017 were set to expire in 2026. This bill made them permanent, meaning you avoid a massive tax hike.

Bonus Round: Other "Fun Stuff" Since 2014

Since my original article, two other major changes have reshaped the landscape that I just have to mention:

1. The 529-to-Roth Pipeline

Many parents worry about "oversaving" for college in a 529 plan. What if your child gets a scholarship or doesn't go to college?

Great news: You can now roll over unused 529 funds directly into a Roth IRA for the beneficiary, tax- and penalty-free!

- **The Limits:** You can move up to a lifetime maximum of **\$35,000** per beneficiary.
- **The Catch:** The 529 account must have been open for at least 15 years, and you can only move enough each year to fill that year's IRA limit (e.g., \$7,500).

This effectively turns a college savings account into a starter retirement fund if the tuition money isn't needed.

2. The Death of the "Stretch" IRA

In 2014, if you left a large IRA to your children, they could "stretch" the withdrawals over their entire lives, paying a little bit of tax each year for decades.

That is largely gone. Under the SECURE Act, most children inheriting an IRA must now empty the account (and pay all the taxes) within 10 years.

This makes the Roth conversion strategy even more vital. If you leave your heirs a Roth IRA, they still have to empty it in 10 years, but every dollar they take out will be tax-free, preventing a massive "tax bomb" during their peak earning years.

The Takeaway

I'm a numbers guy. I live and breathe the excitement of financial investments, but for those of you who don't, here's what I want you to remember:

1. **Start saving as early as possible.** The cost of waiting is in the millions.
2. **Whenever possible, max out 401(k) contributions.** The 2026 limit is \$24,500.
3. **Take advantage of a Roth 401(k) option.** Tax-free growth with no RMDs is a powerful tool.
4. **Maximize the Roth IRA** via the "Backdoor" method, including catch-ups.
5. **Finish Strong:** Use catch-up contributions to add that final layer of security.

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¹ Source: <http://www.investopedia.com/terms/f/four-percent-rule.asp>

² These maximum contribution amounts do increase over time with inflation but for simplicity purposes we will use this stagnant figure for our analysis. Additionally, individuals who are age 50 or over are permitted “catch-up” contributions, which allow them to contribute additional funds to 401(k) plans. For example, in 2026, this amounts to an additional \$8,000 for 401(k) plans. As with regular contribution maximums, “catch-up” contribution amounts also increase over time. For simplicity purposes, we will ignore “catch-up” contributions from our analysis and calculations.

³ A balanced portfolio of 50% Stocks and 50% Bonds, produced an annualized, compounded return of 8.2% from 1926 – 2024. From 1926 – 2014, Stocks are represented by “Large Company Stocks” as reported in Stocks, Bonds, Bills, and Inflation®, Ibbotson® SBBI® Market Report, Morningstar, Inc. From 2015 forward, Stocks are represented by the S&P 500 Index with Income. From 1926 – 2014, Bonds are represented by “Intermediate-Term Government Bonds” as reported in Stocks, Bonds, Bills, and Inflation®, Ibbotson® SBBI® Market Report, Morningstar, Inc. From 2015 forward, Bonds are represented by the Bloomberg Intermediate Government/Credit Index. Portfolio allocations for each individual client will differ. Additionally, for simplicity, this analysis and following calculations assume an 8% return each year. In actuality, returns will vary from year to year and past performance is not an assurance of future results.

⁴ The actual figure is \$4,950,723. This figure is calculated assuming funds contributed in their entirety on the first day of each year and an 8% return for each year.

⁵ The actual figure is \$3,263,732. This figure is calculated assuming funds contributed in their entirety on the first day of each year and an 8% return for each year.

⁶ The actual figure is \$1,334,191. This figure is calculated assuming funds contributed in their entirety on the first day of each year and an 8% return for each year.

⁷ As with 401(k)s and Roth 401(k)s, the maximum contribution amounts for IRAs and Roth IRAs increase over time with inflation as well, but again, for simplicity purposes we will use this stagnant figure for our analysis. Additionally, individuals who are age 50 or over are permitted “catch-up” contributions, which allow them to contribute additional funds to IRAs. For example, in 2026, this amounts to an additional \$1,100 for IRAs. As with regular contribution maximums, “catch-up” contribution amounts also increase over time. For simplicity purposes, we will ignore “catch-up” contributions from our analysis and calculations.

⁸ The actual figure is \$5,094,540. This figure is calculated assuming funds contributed in their entirety on the first day of each year and an 8% return for each year.

⁹ The actual figure is \$ \$1,535,302. This figure is calculated assuming funds contributed in their entirety on the first day of each year and an 8% return for each year.

¹⁰ The actual figure is \$6,629,842. This figure is calculated assuming funds contributed in their entirety on the first day of each year and an 8% return for each year.